Opening doors to the future®

To My Fellow Shareholders:

2018 was another strong year for UDR, Inc. ("UDR" or the "Company") across all aspects of our business. Highlights included sector-leading same-store revenue and net operating income ("NOI") growth, 5% Adjusted Funds from Operations ("AFFO") per share growth, a 4% dividend per share increase, and total shareholder return ("TSR") of 6.4%, the second highest in the apartment sector.

Strategically, we continued to execute on five core Company objectives that have driven, and will continue to drive, our primary long-term goals, those being the generation of strong earnings, net asset value ("NAV") and dividend growth, which should lead to peer-leading TSR. These key objectives include:

1. Consistently generating operating excellence;
2. Maintaining a diversified portfolio to reduce market-specific risk and appeal to wider investor and resident audiences;
3. Deploying capital into accretive growth opportunities that take advantage of the best risk-adjusted returns available in the marketplace;
4. Maintaining a strong balance sheet and access to a wide variety of capital sources that are capable of funding our business; and
5. Nurturing a culture that thrives on innovation, empowerment and success while considering our stakeholders and the environments in which we operate.

Adhering to these objectives year-in and year-out has produced annualized TSR that compares favorably versus the apartment REIT index and the broader market over the past 1-year (UDR's TSR: 6.4%), 5-year (26.2%), 10-year (15.5%) and 20-year (13.3%) periods and will ensure that UDR remains a worthy investment throughout real estate cycles; what we refer to as a full-cycle investment.

On the macro front, 2018 represented the 9th year of economic expansion following the Great Financial Crisis. GDP growth, corporate profits and consumer balance sheets were all helped by robust, wide-spread macro fundamentals and tax reform. Apartment fundamentals also prospered, with U.S. job growth significantly outpacing initial forecasts and wage growth continuing to accelerate in the face of full employment. While new apartment supply, especially for luxury apartments located in urban submarkets, remained elevated, resilient demand, still favorable demographic tailwinds and a continued preference for renting versus owning contributed to improved rent growth and strong occupancy trends.

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Turning to 2019, we believe the macro environment will remain supportive of continued growth for the apartment industry and, in particular, UDR. This year, we look forward to again generating the long-term value creation and TSR our investors and associates have come to expect.

Full-year 2018 UDR highlights include:

Operations is a key driver of our annual value creation, generating the majority of our AFFO per share growth in 2018.

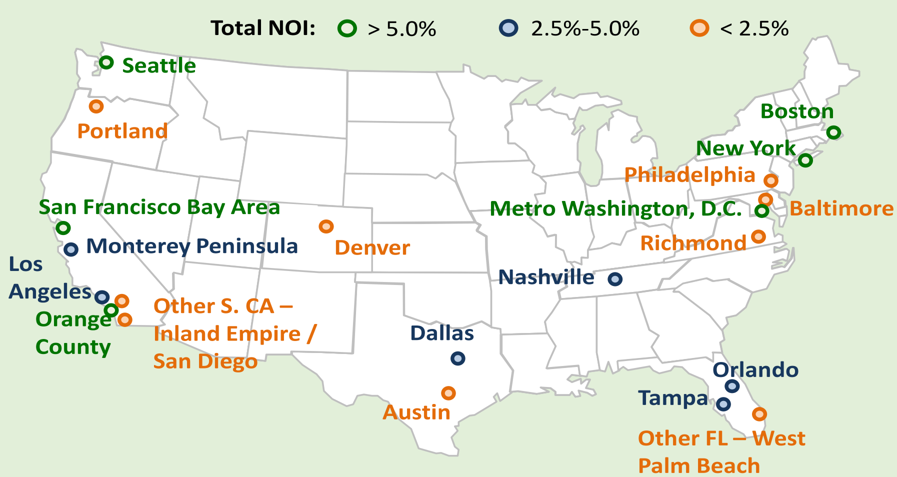
- Generated full-year same-store revenue and NOI growth of 3.5% and 3.4%, respectively, the highest rates in the apartment sector;
- Achieved an operating margin of 71.6%;
- Raised full-year same-store growth guidance twice during 2018;
- Continued to innovate through the implementation of long-lived, high-return, revenue-generating and expense growth-reducing operating initiatives which added ~120 basis points to our same-store NOI growth; and
- Maintained over 80% resident penetration for our on-line leasing, rent payment, service request and lease renewal platforms.

UDR At A Glance (4Q 2018)

- Established in **1972**
- **$18.3 Billion** Enterprise Value(1)
- **S&P 500** Company
- **Investment Grade** Rated
- **185** Consecutive Quarters Paying a Dividend; **3.0%** Dividend Yield(1)
- Total Portfolio Revenue per Occupied Home (incl. of JVs): **$2,282**
- Average Age of Communities: **16 years**
- # of UDR Associates: **~1,450**

MARKET COMPOSITION (4Q 2018)

- **20** Markets; **162** Communities; **48,860** Homes



	% of Same-Store NOI	% of Total NOI	Development ($M)
West Coast	45%	44%	$417
Mid-Atlantic	23%	20%	--
Northeast	16%	19%	$363
Southeast	12%	10%	--
Southwest	5%	7%	--

** **NOI:** The Company defines NOI as rental income less direct property rental expenses. Rental income represents gross market rent and other revenues less adjustments for concessions, vacancy loss and bad debt. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance, administrative and marketing. Excluded from NOI is property management expense which is calculated as 2.75% of property revenue to cover the regional supervision and accounting costs related to consolidated property operations, and land rent.
(1) As of March 21, 2019.

Transactions and Development are key contributors of long-term value creation for UDR and help to maintain our high-quality portfolio. Our efforts in these areas provide us with new communities, on which we can overlay our best-in-class operating platform, in markets where we expect strong growth. Development also generates a solid profit margin of 20% to 50% above construction costs.

- Completed ~$1.1 billion of transactional and development activity at UDR's pro-rata ownership interest;
- Completed construction of two wholly-owned and two UDR/MetLife Joint Venture developments comprising 1,634 homes with a total cost to construct of $809 million at the Company's ownership interest;
- These developments created an estimated $300 to $350 million in NAV or 35% to 40% in excess of cost; and
- Sold two wholly-owned apartment communities located in Huntington Beach, CA and Fairfax County, VA, comprising 868 homes for a total consideration of $251 million. The communities' weighted average age was 46 years old.

Developer Capital Program ("DCP" or the "Program") is an opportunistic lending and investment pipeline of projects that generate strong risk-adjusted returns and can provide the Company with the opportunity to acquire newly developed apartment communities at below-market valuations.

- Expanded the Program by providing preferred equity or secured loans in four communities totaling 1,087 homes during 2018 for a total capital commitment of $93 million when fully funded. The projects are located in Alameda, CA, Santa Monica, CA, Philadelphia, PA, and Orlando, FL;
- Completed construction of three West Coast Development Joint Venture communities comprising 817 homes with a total initial investment cost of $58 million. The projects are located in Seattle, WA, Anaheim, CA, and Hillsboro, OR; and
- Generated an average yield of 9% on an average Program investment balance of $173 million during the year.

Balance Sheet and Capital Markets Activity. Maintaining a strong, liquid balance sheet and having access to a wide variety of capital sources helps generate long-term value for our shareholders and positions the Company to take advantage of accretive growth opportunities throughout the investment cycle.

- Maintained our investment-grade unsecured credit ratings at BBB+/Baa1;
- Issued $300 million of 10-year unsecured debt at an effective rate of 4.3% and prepaid approximately $196 million of 5.3% percent debt;
- Issued 7.15 million common shares, at a net price of $41.98, for proceeds of approximately $300.0 million. Shares were issued at a premium to NAV and at a price that was 25% higher than where the stock was trading at the time of our $20 million share buyback earlier in 2018; and
- Renewed our $1.1 billion line of credit at favorable rates and extended its maturity out to 2023.

Culture and Advancement. Our culture is built on success, empowerment, innovation and merit. We remain focused on building the best team of talent possible across all aspects of our business while also providing the highest level of customer service.

- Promoted Jerry Davis to President in early 2019, in addition to his responsibilities as Chief Operating Officer;
- Promoted five vice presidents to the position of senior vice president in early 2019 across a variety of UDR's business functions, further solidifying our succession plans;
- I was named Chairman of the Board in early 2018, in addition to my responsibilities as Chief Executive Officer;
- Engagement and satisfaction scores from our associates and residents reached all-time highs in 2018; and
- Our associates completed approximately 60,000 hours of online training and volunteered approximately 2,050 hours of their time to charitable causes.

Shareholder Return and Return of Capital

- Increased our declared dividend per share by 4% year-over-year to $1.29 from $1.24 in 2017; and
- Generated a strong TSR of 6.4% in 2018. This, as well as UDR's TSR over longer time periods, have compared favorably versus the apartment peer group, REITs in general and the broader market.

Annualized Total Shareholder Return as of December 31, 2018

	1-Year	5-Year	10-Year	20-Year
UDR	**6.4%**	**26.2%**	**15.5%**	**13.3%**
Broader Indices				
NAREIT Apartment Index	3.7%	21.6%	14.8%	11.7%
NAREIT Equity Index	-4.6%	13.5%	12.1%	9.7%
S&P 500	-4.4%	14.6%	13.1%	5.6%

Economic Outlook

2018 U.S. macroeconomic fundamentals remained vibrant, headlined by GDP growth of 2.9%, corporate profit growth of 5.2% through the first nine months, employment growth that significantly outpaced initial forecasts and improved wage growth. Looking into 2019, we expect that macroeconomic underpinnings for further expansion will remain supportive, but anniversary-ing the initial benefits of tax reform is a headwind to continued acceleration in underlying fundamentals.

Examining primary economic drivers for apartment rent growth.

- Third-party forecasts are calling for employment growth to moderate to approximately 170,000 jobs per month in 2019, versus 223,000 in 2018 as the U.S. approaches full employment. We are not incorporating upside versus this estimate into our forecasts, but are cognizant that continued improvement in labor force participation could dampen the adverse impact of low unemployment.
- We expect that wage growth will continue to accelerate in 2019 with consensus estimates calling for 3.0% to 3.5% growth, versus 2.8% in 2018. Wage growth provides more room to raise rent, but also impacts us via higher personnel costs.
- Counteracting strong demographic drivers for the apartment industry, an overall shortfall in total housing and these supportive economic tailwinds is another year of elevated new multifamily supply across many of our markets. Deliveries continue to be delayed by varying amounts of time due to a shortage in construction labor, meaning that our industry is likely to stay in a period of elevated, although stable, new supply growth for the foreseeable future.

Taken together, the 2019 demand/supply environment for apartments is relatively balanced. Our best-in-class operations, diversified portfolio, various opportunities to allocate capital accretively and strong, investment-grade balance sheet will help us to successfully navigate this, or any other, environment and will continue to make UDR a full-cycle investment.

Strategic Direction

As evidenced by our strong TSR over the preceding 1-year, 5-year, 10-year and 20-year time periods, our overarching strategy is working, and therefore, no meaningful changes are anticipated in 2019. But, during 2018, we did focus in on two key areas that will further improve our sector-leading operating platform and help us to more effectively allocate capital. These initiatives, which are outlined below, will increase our earnings growth rate in the years ahead and should further expand our stock multiple.

The first key area has to do with continually improving our operating platform. Similar to other industries, new technologies will continue to disrupt our business. While we believe that our operations are best-in-class already, our customers have come to expect a business relationship with UDR that is more simplified, easy-to-use and online. Historically, we have been a proactive adopter of technological solutions and are committed to remaining as such as we adjust to ever-changing resident service level preferences. Specifically, we have implemented a three to five year plan that will enhance our operating platform to address these changes. It focuses on (1) process improvement, (2) the introduction of an enhanced suite of resident self-service options accessed through smart devices, and (3) better utilizing the data we collect to more efficiently price our apartments and operate our communities. These objectives will drive margin expansion through the continued implementation of revenue-growth initiatives as well as the rationalization of our controllable expense stack, and ultimately earnings growth. Key to successfully executing this plan is our culture, one that is built on innovation, empowerment and success. Ultimately, this plan will drive better returns for our shareholders while also improving our customers' overall experience and efficiencies throughout our workforce.

The second key area is capital allocation where we have developed a suite of predictive analytics tools that will improve our capital deployment decision-making process and better focus our internal transactional resources. This should result in improved risk-adjusted internal rate of returns (“IRRs”) on investments over time. We are still early in the implementation process, but are excited for how these tools will benefit our capital deployment process and our shareholders moving forward.

On the corporate citizenship front, we used 2018 to put into place the necessary infrastructure to provide improved transparency and disclosure around our Environmental, Social and Governance (“ESG”) efforts. In 2019 we intend to participate in the ESG industry leading Global Real Estate Sustainability Benchmark (“GRESB”) survey and enhance other ways through which we will report on our ESG achievements. UDR has committed to and implemented many ESG initiatives over the years. While our bottom-line is of utmost importance, we believe that profitability and corporate responsibility are not mutually exclusive, but rather, go hand-in-hand. In 2019, we look forward to sharing more with you as we advance our public reporting process.

Last, as has become customary, we will continue to openly discuss our strategic direction with market participants as well as our associates, as one of our most important jobs is to actively share and articulate UDR’s message, and then back up our words with results. A continued focus on, and proper execution of our strategy, enhances returns for all of UDR’s stakeholders. Associates have more upward mobility and compensation potential in a growing company; shareholders realize better TSR and dividend growth when drivers of that growth are well executed; and our residents reap the benefits of an apartment living experience that is continuously being improved. In 2018, we had 393 interactions with investors who owned greater than 80% of our outstanding common shares and held quarterly all-associate calls as well as numerous town-hall meetings to ensure we maintain our culture of transparency and high performance.

Operational Excellence

Operations is the primary engine that drives our business and generates the majority of our annual same-store NOI and earnings growth. In 2018, our best-in-class team of operating associates delivered sector-leading same-store revenue and NOI growth rates of 3.5% and 3.4%, respectively, or approximately 85 basis points above peer average growth rates for these metrics.

For 2019, our same-store growth rate guidance ranges of 3.00% to 4.00% for revenue and 3.25% to 4.25% for NOI again lead the peer group. These metrics will continue to be driven by improving rent growth, strong and stable occupancy, ancillary income growth in the high single-digits and the implementation of additional efficiency initiatives to control expense growth. 2019 is shaping up to be another strong operational year for UDR.

In the Strategic Direction section of this letter, we introduced where we are taking the operating platform over the next three to five years, and why it is important to do so. Below, we shed more light on how we plan to execute our forward plan in three phases.

- **Phase 1 (2018-2019):** Become more efficient by centralizing and outsourcing repetitive, non-resident facing tasks at the site-level and investing $25 to $35 million in SmartHome technology (i.e., smart locks controlled by a mobile device, smart thermostats, water leak detecting sensors and smart light switches) that not only pays for itself through rent premiums and resident convenience and security, but sets the stage for Phase 2.
- **Phase 2 (2019-2021):** Develop and implement an enhanced suite of resident self-service options accessible on smart devices (e.g. self-touring at our communities, adding pet rent, etc.), while also utilizing our SmartHome tech to lessen common area expense growth (e.g., control smart thermostats remotely) and increase maintenance team efficiencies (e.g., electronic locks controlled via smart devices eliminate the need to retrieve keys).
- **Phase 3 (2021 and Beyond):** Increasingly utilize the significant amount of internal data we track to better price our apartments and operate our communities (e.g., create occupancy and rental rate heat maps of our communities to more quickly identify problem areas and/or determine if proper rent premiums are being assessed). Spend on Phases 2 and 3 is forecast to be similar to our SmartHome investment, or $25 to $35 million.

We are proud of the initiatives that UDR has implemented over the past decade, including legacy online programs such as rent payment, leasing and service requests, all of which have better than 80% resident penetration rates. But, we are more excited for the future and our shareholders should be as well, as our next generation operating platform will expand our margins, improve our earning, NAV and dividend growth rates, and drive our TSR in the years ahead.

Accretive Capital Allocation

UDR has many options to deploy capital accretively. In 2018, and thus far in 2019, we utilized acquisitions, development, Developer Capital Program investments and revenue-enhancing capital expenditures to drive our earnings, NAV and dividend growth. Moving forward, increasingly incorporating proprietary predictive analytics into our capital deployment decision-making process will help to further refine where, and how, we invest your capital. This is an initiative we have been working on for several years, and is one that we believe will have a positive impact on risk-adjusted investment returns, while also being applicable across a wide swath of investment opportunities.

Transactions

2018 saw minimal transactional activity, but 2019 has been more active thus far. This is primarily the result of (1) a number of long lead-time opportunities maturing in a relatively short timeframe and (2) our much improved share price in late 2018 that allowed us to issue $300 million in accretive common stock proceeds in December. Thus far in 2019, we have purchased four recently developed communities, comprising 1,110 homes, as well as two development land sites for a total investment of approximately

$404 million. The acquisitions are located in markets primarily identified for increased exposure via our predictive analytics tools, including Brooklyn, NY, St. Petersburg, FL, Suburban Seattle, WA, Anaheim, CA, Washington, D.C. and Denver, CO.

Recent Acquisitions

Peridot Palms | St. Petersburg, FL	**Leonard Pointe** | Brooklyn, NY	**Parallel** | Anaheim, CA
		

On the disposition front, we sold two assets in 2018. These assets were, on average, 46 years old, comprised 868 homes, were located in Huntington Beach, CA and Fairfax County, VA, and garnered $251 million in proceeds at strong capitalization rates. Selling assets where operational upside is limited and/or future capital expenditure requirements are outsized is a mechanism that allows us to efficiently recycle capital into markets, and assets, with better growth potential.

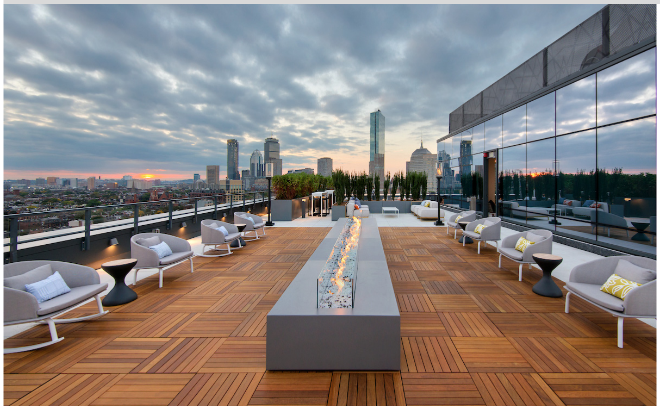
Big-picture, market dynamics, capital flows and our expected sources and uses govern the transactional opportunities that are available to us in any given year. But, our disciplined, IRR based underwriting process will continue to reward our shareholders as we execute on transactions moving forward.

Development

Development, on which we typically achieve mid-teen IRRs at completion, remains a targeted use for growth capital. While our opportunity set for adding new projects in 2018 was limited as a result of disciplined underwriting and compressed return expectations in the market, accretive deals are still available, as evidenced by the two land parcels we have purchased year-to-date in 2019.

As of year-end 2018, our $779 million development pipeline, which comprises 1,251 homes, was 99% funded and 85% leased. Last year, we again delivered communities that were very well-accepted by renters and, in total, exceeded original underwriting expectations. As we look over the next 12 to 24 months, we believe our development pipeline will be in the $400 to $600 million range and be driven by projects on balance sheet, but also densification opportunities at existing communities. These latter opportunities are especially intriguing as they offer higher returns (given a low land base), are less speculative (as we already operate the stabilized portion of the community and, therefore, understand rental rate growth and occupancy trends) and allow us to target submarkets primed to drive outsized value creation.

2018 Development Completions

345 Harrison Street | Boston, MA	**Residences at Pacific City** | Huntington Beach, CA
	

We believe that development in general, combined with our historical ability to execute the opportunities we have pursued, is a strong value creation mechanism for our shareholders. Over the years, we have built a robust development platform, stocked with plenty of intellectual capital and led by a very experienced team. Moving forward, we are committed to maintaining disciplined underwriting as we examine additional accretive opportunities to refill our pipeline and create value.

Developer Capital Program

We initiated our Developer Capital Program in 2013 to take advantage of the growing dislocation in the construction financing marketplace and the attractive risk-adjusted returns offered by these investment opportunities. As a reminder, through the Program, UDR provides capital to third-party apartment developers through preferred equity, mezzanine debt or secured loans on development assets, and in markets where we would like to increase our exposure. These investments ensure that UDR receives a healthy current return and, in some structures, a purchase option designed to be in-the-money at a later point in time or profit participation upon sale.

In 2018, we added four new projects to our DCP pipeline that total $93 million in committed capital, comprise 1,087 homes and have a weighted average yield of 10.4%. As of year-end, our investment in the Program, inclusive of accrued preferred return, was approximately $248 million. Two of the year-to-date acquisitions referenced earlier in this letter came from the Program and were purchased at a discount to market value, demonstrating the inherent value creation. All-in, our DCP remains a robust investment vehicle, producing a current yield in the 10% range, prior to any profit participation, representing a very strong return for our shareholders. Moving forward, we will look to backfill our pipeline as we are able to source appropriate opportunities.

Capital Markets and Balance Sheet

2018 was a wild ride from a stock price perspective. We repurchased approximately $20 million of common shares in February and March at a discount to NAV. By December, our share price had recovered by 25% and our stock was trading at a premium to NAV, enabling us to issue $300 million of common shares. Proceeds from this issuance have been used to fund the accretive acquisitions cited earlier in this letter and for general corporate purposes. We also continued to take advantage of debt prepayment opportunities in the fourth quarter by prepaying $196 million of 5.3% debt originally scheduled to mature in late 2019 through the issuance of $300 million of 4.3% unsecured, 10-year debt. These actions increased the size of our unencumbered pool of assets, extended duration and further improved our balance sheet. In 2019, we will continue to weigh sources and uses of capital, but will remain disciplined.

Our 2019 debt maturities are minimal and our unsecured credit ratings (S&P: BBB+; Moody's: Baa1) remain strongly investment grade. Both place us in a position to garner efficient pricing should we choose to issue debt in the future. Our belief that a safe, flexible and liquid balance sheet is essential to generating predictable earnings and dividend growth, and strong TSR, over time has not changed.

We ended the year with $3.5 billion in debt outstanding at a 3.7% blended interest rate and with a weighted maturity of 5.8 years. Our year-end credit metrics stood at 22.8% for consolidated debt-to-enterprise value and 5.0x for consolidated debt-to-EBITDAre. In 2019, we remain comfortable operating the Company at average 2018 leverage levels, but will continue to examine all options to further improve our balance sheet over time.

Promotions and Board of Directors

Developing talent remains a top priority for myself, the rest of the leadership team and the Board of Directors, because good people create outsized value. That is why we were incredibly proud to announce the senior executive promotions in early January 2019, which were part of a process we have been running for multiple years. As mentioned earlier, Jerry Davis was promoted to President, while retaining his responsibilities as Chief Operating Officer. In addition, Andrew Cantor, Matt Cozad, Mike Lacy, Bob McCullough and Dave Thatcher were all promoted to Senior Vice President in their respective areas. I would like to extend my gratitude to them, and all of UDR's associates who earned well-deserved promotions in 2019, for their continued dedication and exemplary work.

In early 2018 I was appointed Chairman of the Board. I am pleased that Jim Klingbeil, our Chairman from 2010 to 2017, assumed the role of Lead Independent Director upon my appointment. Jim has been an excellent steward of UDR's business and I am grateful that we were able to retain his many years of experience and leadership.

Last, the senior management team would like to extend our gratitude and thanks to retiring Board members Lynne Sagalyn and Rob Freeman. Both Lynne and Rob have served on UDR's Board and provided valuable insight for over 20 years, a time in which UDR's TSR grew at an annualized rate over 13%. Their contributions to the Company over the years have been significant and we wish them well as they pursue the next chapters of their lives.

Environmental, Social, Governance

Considering the needs of all of our constituents and the environments in which we operate are important to how we run UDR. Growing profits, dividends and our share price are, of course, three of our most vital duties. But, ensuring that we attain these objectives in a sustainable, responsible manner is just as important. While we have historically engaged in a variety of ESG initiatives, we have not been as transparent or active in reporting our successes to stakeholders. This will change in 2019.

We used 2018 to work with consultants to build the infrastructure necessary to publically report on our ESG progress. In 2019 we are planning to:

- Participate in the GRESB survey, an internationally recognized leader in ESG reporting. Our GRESB "score" will be anonymous in 2019 during our first year of participation, but will be public thereafter;
- Enhance our ESG reporting capabilities via an improved and expanded website; and
- Publish a thorough Corporate Responsibility document that sets out policies and procedures that govern how we do business.

A sampling of to-date ESG successes that we are proud of include:

1. We have completed 138 energy usage / utility reduction projects at our communities since 2016;
2. There are currently 38% more auto charging stations at our communities than in 2017;
3. 19 of our development projects completed over the past eight years have obtained a sustainability certification (e.g., LEED);
4. Our associates volunteered approximately 2,050 hours of their time to charitable causes during the year;
5. UDR associates engaged in approximately 60,000 hours of on-line training courses in 2018;
6. Had 393 in-person interactions with shareholders in 2018;
7. Added Proxy and Bylaw access to our governance structure in 2017 and 2018;
8. Have added four independent directors to our Board since 2014; and
9. 25% of our Board seats are held by women.

We look forward to keeping you updated on our progress as the year unfolds.

Looking Ahead

As the senior management team looks to 2019 and beyond, we continue to believe that apartments are a great business and have many years of solid growth ahead. For UDR, in particular, we expect that 2019 will be similar to 2018, with our top-of-sector results being driven by our best-in-class operations, diversified portfolio, accretive capital deployment, strong balance sheet and innovative culture.

In closing, UDR has the right strategy and team in place to continue creating long-term value for our shareholders. I would like to thank all of my associates and Board Members for their hard work in making 2018 another great year for UDR. We look forward to what 2019 will bring.

Thank you for your continued support,

Thomas W. Toomey
Chairman and Chief Executive Officer